January

EAP Newsletter

The Solutions Group 2008

Estate Planning and End of Life Issues

Legal Resources

USLegal offers legal resources to assist you understand the law, including a legal dictionary containing thousands of legal terms.

People think about their finances and health, but do not consider their legal life until it is either too late or they have a legal problem. Accidents, natural disasters, emergencies, disputes and death can happen at any time.

www.uslegalforms.com

The following are concepts to help individuals become familiar with some of the legal issues involving Estate Planning and End of Life.

What is a Will?

A will is a document that sets forth provisions such as who you wish to receive your property upon your death, who you wish to carry out the instructions in your will (executor or personal representative) and who you wish to care for dependent minor children in the event neither parent is available to provide such care (guardian). A will does not take effect until after your death. If you take the time to prepare a will or have a will prepared for you, your property will be transferred more quickly, and you may avoid unnecessary financial and tax burdens.

What is a Living Will?

A living will is a document that sets forth your wishes regarding healthcare you would or would not want to receive if you became terminally ill or unable to communicate for yourself. A living will may also be referred to as a healthcare declaration. A living will becomes effective when you provide it to your physician or healthcare provider and you become terminally ill or suffer permanent unconsciousness resulting in your incapacity to make healthcare decisions. A living will directs your physician and healthcare provider to follow your instructions regarding the use, continuation or withholding of life-sustaining medical or surgical procedures, as well as artificial nutrition and hydration. You may also use your living will to state your preferences regarding resuscitation, bodily organ and tissue or whole body donation, non-emergency surgery or elective medical procedures.

What is a Power of Attorney?

A power of attorney is a legal document which allows you to appoint another person to act as your agent to manage your health, property, financial and other affairs. A power of attorney can begin immediately or go into effect at some time in the future such as if you become incapacitated and can no longer make decisions over your affairs.

What is a Do Not Resuscitate (DNR)?

A DNR order is an order that informs emergency personnel that you do not wish to receive cardiopulmonary resuscitation (CPR) or other life support in a medical emergency when an ambulance is called. Other names for DNR orders include Out-of-Hospital DNR Orders and Comfort-Care-Only Orders.

What is a Trust?

A trust is a legal arrangement where one person or entity (the trustee) manages certain property or assets for the benefit of another person (the beneficiary) who actually owns legal title to the property or assets. Upon the death of the person who created the trust, the trust property is not subject to probate proceedings (the proceedings to determine the disposition of a deceased person's property at death), but passes according to the trust provisions as set up by the creator of the trust. Therefore, trusts are often used as replacements or supplements to a will in order to avoid the probate process, as well as lessen taxation. Trusts can have important estate tax, governmental assistance, probate and personal consequences, and should be drafted in coordination with a person's will. Trusts are useful estate planning options for persons with significant assets and/or persons who have young children or family members with special needs.

Flexible Spending Accounts- Use It or Lose It

For many people participating in a Flexible Spending Account (FSA) with a grace period, March 15th marks the deadline to incur expenses and use dollars set aside in an FSA. After that time, any remaining pre-tax dollars will be forfeited. Most employers traditionally give you 90 days after the end of the plan year, or until March 31, 2008, to submit receipts for costs incurred in 2007. And, if your employer offers you a grace period to incur expenses, this claim submission period may also have been extended. So check with your employer to see how long you have to shop and how much time you ultimately have to be reimbursed for last year's eligible expenses.

Health Expense Calculator and Baby Expense Calculator

http://www.planforyourhealth.com/

Buying A Home

A home is the largest purchase most people ever make. Many decisions have to be made during the home-buying process in unfamiliar areas, including mortgages and home sale contracts. A major challenge, especially in high-cost real estate markets, is buying a single-family house or condo with as many desired features as possible at an affordable cost. This often takes a lot of shopping around and compromises. Homeowners are responsible for all of the costs associated with their home, including property taxes, homeowners' insurance, condo or community fees, utilities, maintenance and repairs, and home improvements. Together, housing costs are a major expense in many family budgets, sometimes 40 percent to 50 percent of net (take-home) income. Many new buyers feel "house poor" following a purchase.

Fortunately, the purchase of a home provides several important financial benefits. First, there is an *opportunity to build equity*. With every mortgage payment, some of the money that was borrowed (principal) is repaid. This, along with generally increasing home values, increases home equity, which is the difference between the market value of a home and its outstanding debt balance. For example, a house worth $200,000 with a $100,000 mortgage balance has $100,000 of home equity. Home equity can provide funds for financial goals such as retirement and a child's college education. A second financial benefit is *tax write-offs*. Mortgage interest and property taxes on a principal residence are deductible if you itemize income tax deductions. A third financial benefit is *leverage*, which is the use of other people's money to magnify potential financial gains. Here's a simple example. Let's suppose you bought a home for $100,000 and, 10 years later, it is worth $200,000. When you bought the home, you put $10,000 down and took a $90,000 mortgage. Only one-tenth of the original purchase price came from your own resources and, later, the house is worth 20 times more than your original investment!

Retirement Planning: Catch-Up Strategies

- Start saving immediately if you've done little to prepare for retirement. Don't be discouraged about what you should have saved years ago, but didn't. Instead, focus on what you can do from today forward to create a more secure financial future.
- Retirement plan contribution limits are increasing through 2010 as a result of 2001 tax law changes. This includes additional "catch-up" contributions available to workers age 50 and older for both tax-deferred employer plans and IRAs.
- Repeat the phrase "if it is to be, it is up to me" and take it to heart. You still have many years to make up for lost time. Your investment time horizon is the rest of your life, not your retirement date. Remember, however, that income and benefits provided by government and employers are predicted to decrease in future years.
- The Employee Benefit Research Institute consistently finds that about half of American workers, both savers and non-savers, believe it is possible to save \$20—or \$20 more—weekly for retirement. While saving \$20 a week does not seem like much, it results in more than \$1,000 of savings annually, plus interest. After 20 and 30 years, respectively, at 5 percent interest, a worker would have \$36,100 and \$72,600. Ramp the return up to 10 percent by earning an average return on stock index funds (beware: this involves more risk) and the accumulations grow to \$65,500 and \$188,200, respectively. Small savings matter!
- Know your catch-up options. The good news for late savers is there are more than a dozen ways to make up for lost time. One basic strategy is to take action before retirement to increase savings. This can be accomplished by increasing contributions to tax-deferred retirement savings plans, accelerating debt repayment to free up money to save, moonlighting for additional income, and investing aggressively (more stock) to increase the potential for a higher return.
- Be sure to maximize tax breaks on investments (for example, tax-deferred savings plans and long-term capital gains), reduce investment expenses (such as broker commissions and expense ratios on mutual funds), fund multiple retirement savings plans, and preserve lump sum distributions from tax-deferred plans instead of spending them (for example, when changing jobs).
- The second basic catch-up strategy is to take action *after* retirement to decrease the amount of savings required to live on. This can be accomplished by trading down to a smaller home, moving to a less expensive location, delaying retirement, working after retirement, tapping home equity through a reverse mortgage or sale-leaseback, and making tax efficient withdrawals from savings.

Identity Theft Protection Guide

How is Your Identity Stolen?

People can get access to you personal information through many means. It can happen through someone stealing your mail including bank or credit card statements, abusing their employer's access to your credit report, stealing your wallet, or posting as a company and claiming you have a problem with your account to steal personal information from you through email or phone.

What are some signs that you may be a victim of Identity Theft?

Signs that your identity may have been comprised include the following: you receive notification via email that an account password has been changed or you receive a call from a bill collector demanding payment on an over due account that you never opened.

What should I do if I am the Victim of Identity Theft?

Contact the police, file a complaint with the Federal Trade Commission and contract your financial and credit card institutions.

What is Identity Theft?

Identity theft occurs when someone uses your personal information without your permission to commit fraud or other crimes. Identity thieves steal your personal information to access your financial resources, obtain your identification documents, or obtain your benefits. A person also commits identity theft by obtaining goods or services through the use of your identifying information, and by obtaining identification documents in your name.